



DEPARTMENT OF STATE

Washington, D.C. 20520

December 15, 1971

SECRET
MEMORANDUM TO THE FILES

Subject: Application of Libyan Sharing Agreement

I see no political objections to use of the Libyan sharing agreement to help BP in the present circumstances. However, it might be of interest to point out some economic implications which could bear on the legal implications as I understand them.

When the Sharing Agreement was first drawn up in January 1971, the international oil industry was faced with the OPEC countries who had banded together in effect as a monopolist to force a major increase in oil prices. It was therefore argued that it was in the interests of consumers to allow the companies to band together and resist the price increase as much as they could. This was done,

The situation now is quite different from the point of view of monopoly positions and competition. The oil industry is not faced by the OPEC countries on the BP nationalization issue, but only by Libya.

It cannot be said definitely that the Libyan nationalization or a joint company effort against Libya will have no effect at all on the US market.

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DEPARTMENT OF STATE A/CDC/MR

REVIEWED BY

DATE

PORTIONS DENIED AS INDICATED

AF/N: Warren Clark Jr. rjf

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The US imported 173,100 barrel per day of oil from Libya in the second quarter of 1971.

The Irwin-Mitchell talking points happily avoid these economic and legal problems.

cc:

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L/E - Mr. Lieblich

TRIP - The Com. Bureau
12-22

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Talking Points to be used with Department of Justice on
Extension of Libyan Sharing Agreement

1. The Libyan Government has nationalized British Petroleum assets in Libya as retaliation for British "complicity" in turning over Arab Islands in the Persian Gulf to Iran.

2. There may have been other reasons for Libya's action (e.g., Libyan claims against the British for non-delivery of arms; Libyan belief that the British have interfered in their internal affairs) but the British action in the Persian Gulf is the only reason given by Libya for this nationalization.

3. The Libyans have asked Bunker Hunt, who was in partnership with British Petroleum in Libya, to produce BP's share of the oil for the Libyan Government and to market it.

4. The British have invoked the Libyan sharing agreement. Apparently all of the companies who have signed the agreement are disposed to agree to do this but John McCloy believes that it would be preferable to have a new Department of Justice Business Review Letter or an explicit modification of the old one.

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[REDACTED] The Libyan sharing agreement
would also, of course, apply to Bunker Hunt if covered by
a BRL.

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